

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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Petition of Calpine Corporation to Adopt,  
Amend, or Repeal a Regulation Pursuant to  
Pub. Util. Code § 1708.5

Petition 16-07-004

**REPLY OF CALPINE CORPORATION**

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**REPLY OF CALPINE CORPORATION**

Pursuant to Rule 6.3(d) of the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure, Calpine Corporation (“Calpine”) respectfully submits this reply to the responses of Southern California Edison Company (“SCE”),<sup>1</sup> Pacific Gas and Electric Company (“PG&E”),<sup>2</sup> Shell Energy North America (US), L.P., (“Shell”),<sup>3</sup> the Independent Energy Producers Association (“IEPA”),<sup>4</sup> and the Western Power Trading Forum (“WPTF”)<sup>5</sup> to the *Petition of Calpine Corporation to Adopt, Amend, or Repeal a Regulation Pursuant to Pub. Util. Code § 1708.5* (“Petition”) requesting that the Commission immediately commence a rulemaking to establish new rules for the netting standards applicable to the California Investor Owned Utilities’ (“IOUs”) Station Power Tariffs.<sup>6</sup>

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<sup>1</sup> Response of Southern California Edison Company (U 338-E) to Petition of Calpine Corporation to Adopt, Amend, or Repeal a Regulation Pursuant to Pub. Util. Code § 1708.5 (“SCE Opposition”).

<sup>2</sup> Response of Pacific Gas and Electric Company (U 39 E) to Calpine Petition (“PG&E Opposition”).

<sup>3</sup> Response of Shell Energy North America (US), L.P.

<sup>4</sup> Response of the Independent Energy Producers Association to the Calpine Petition to Adopt, Amend, or Repeal a Regulation Related to Station Power Tariffs.

<sup>5</sup> Comments of the Western Power Trading Forum in Support of the Petition of Calpine Corporation to Adopt, Amend, or Repeal a Regulation Pursuant to Pub. Util. Code § 1708.5.

<sup>6</sup> See SCE Schedule SPSS, Station Power Self-Supply; San Diego Gas & Electric Company’s (“SDG&E”) Schedule SPSS, Station Power Self-Supply; PG&E Electric Schedule S – Standby Service (collectively, the “Station Power Tariffs”).

IEPA, WPTF, and Shell all support Calpine's petition urging the Commission to establish equitable and non-discriminatory station power netting rules for all of California's electric generators. The support of the two largest industry trade organizations representing power producers in California's energy markets (i.e. IEPA and WPTF) indicates that there is widespread support among the generator community for the Commission to re-visit its station power netting rules. As detailed in Calpine's Petition, the Commission has a duty to examine the appropriateness of 15-minute station power netting in light of its recent re-affirmation of the appropriateness of 12-month netting for Net Energy Metering ("NEM") generators, the gross disparity between the 15-minute and 12-month netting periods, and the economic burden that the 15-minute netting period imposes on non-NEM generators.<sup>7</sup>

SCE and PG&E oppose the Petition, largely by highlighting various irrelevant differences between NEM and non-NEM generators. Neither SCE nor PG&E, however, offer any compelling arguments disputing Calpine's showing that the current netting periods for non-NEM generators are unjust, unreasonable, and discriminatory. If anything, the policy issues that SCE and PG&E raise in their oppositions underscore the need for the Commission to open a proceeding in which all interested parties can debate the appropriateness of station power netting rules that discriminate against non-NEM generators. Accordingly, Calpine respectfully requests that the Commission grant its Petition and promptly open a rulemaking to address the netting rules in the IOUs' Station Power Tariffs. Calpine offers specific responses below to several of the points raised by SCE and PG&E.

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<sup>7</sup> See Petition, at 11-15.

## A. SCE

The SCE Opposition largely rests on four arguments: (1) NEM and non-NEM generators are not the same;<sup>8</sup> (2) the Commission should re-visit the entire NEM structure, including applicable netting rules, rather than apply the current 12-month NEM netting rules to non-NEM generators;<sup>9</sup> (3) it would be infeasible to implement lengthier netting rules for non-NEM generators;<sup>10</sup> and (4) the Commission has already addressed the propriety of 15-minute netting in Resolution E-4673.<sup>11</sup> Calpine addresses each of these arguments below.

First, Calpine agrees with SCE that there are differences between NEM and non-NEM generators. However, even SCE's Opposition acknowledges that both classes of customer generators need station power for the same fundamental purpose: to power on-site load when on-site generation is not sufficient.<sup>12</sup> While it is true that the legislature has attempted to provide advantages to NEM generators to encourage the development of behind the meter renewable resources, this state preference for NEM generators does not obviate the requirements in the California Constitution and the Public Utilities Code that the Commission adopt equitable and non-discriminatory netting periods for all types of generation resources.<sup>13</sup>

Second, Calpine wholeheartedly agrees with SCE that the Commission should re-visit the entire NEM program, including but not limited to the 12-month netting rules. Current NEM tariffs provide inappropriately high compensation to NEM solar relative to other resources, both renewable and conventional. This excessive compensation for NEM generators has led to

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<sup>8</sup> See SCE Opposition, at 5-8.

<sup>9</sup> See SCE Opposition, at 11-13.

<sup>10</sup> See SCE Opposition, at 8-10.

<sup>11</sup> See SCE Opposition, at 12-13.

<sup>12</sup> SCE Opposition, at 5 *citing* Petition at 5-6.

<sup>13</sup> See Petition, at 13-16.

increasing penetrations of NEM solar and eroded market opportunities for other resources, including the modern, flexible, and efficient conventional generation that will continue to be needed to maintain reliability.

Third, SCE is not correct that lengthier netting periods for non-NEM generators would be infeasible because it would be difficult to determine which megawatt hours (“MWh”) of a non-NEM generator’s output would be used to offset its station power load.<sup>14</sup> Calpine understands that the California Independent System Operator (“CAISO”) addressed this issue in the development of its Station Power Protocol, which is still in the CAISO’s tariff but is effectively superseded by the IOUs’ Station Power Tariffs. Under the Station Power Protocol, as long as a resource’s output to the grid exceeds the power it draws from the grid over the course of the netting period, the resource is not subject to retail station service. Instead, the resource is charged the relevant wholesale location marginal price for the power that it draws from the grid for each 5-minute interval within the netting period (i.e. no specific MWh of a resource’s output are set aside to meet non-contemporaneous station load).<sup>15</sup> SCE’s assertion of infeasibility is groundless because the feasibility of billing with a longer netting period has been both proven and implemented.

Fourth, in arguing that the Commission has already addressed the propriety of 15-minute netting for non-NEM generators,<sup>16</sup> SCE mischaracterizes the Commission’s prior decisions. In Resolution E-4673, the Commission did approve SCE’s station power advice letter, determining that SCE’s request to decrease the netting period from one month to 15-minutes did not introduce any new netting methodology. However, the Commission expressly declined to

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<sup>14</sup> See SCE Opposition, at 8-10.

<sup>15</sup> See CAISO Station Power Protocol, at Sections 3.1 and 3.2; available at: [https://www.caiso.com/Documents/AppendixI\\_StationPowerProtocol\\_May1\\_2014.pdf](https://www.caiso.com/Documents/AppendixI_StationPowerProtocol_May1_2014.pdf).

<sup>16</sup> See SCE Opposition, at 12-13.

substantively address the appropriateness of the 15-minute netting methodology, stating that “[t]he issue of what should be the appropriate netting period appropriately is not before the Commission at this time.”<sup>17</sup> Moreover, in rejecting requests of the generator community to reconsider the appropriateness of 15-minute netting in the context of SCE’s station power advice letter, the Commission found that “inventing a new netting scheme is a substantial policy question for which the informal advice letter process is an inappropriate vehicle.”<sup>18</sup> SCE’s argument that the Commission has recently approved the appropriateness of 15-minute netting should be ignored.

## **B. PG&E**

PG&E opposes Calpine’s Petition on that grounds that there is no policy link between station power netting and the NEM program.<sup>19</sup> As set forth above, Calpine’s request that the Commission consider the fairness of wildly-disparate netting rules for two classes of customer generators does not hinge on Calpine establishing a policy link between NEM and non-NEM generators. While the State and the Commission certainly can advance policies to promote the growth of NEM resources, the Commission is still obligated to ensure that the IOUs’ services and rates are not discriminatory or prejudicial.<sup>20</sup> There can be no doubt – and neither PG&E nor SCE have made any showing to the contrary – that the gross disparity between a 15-minute netting period imposed on one group of generators and a 525,600-minute (i.e. 12-month) netting period available to other generators serves as a prima facie showing of unlawful discrimination.

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<sup>17</sup> Resolution E-4673, at 12, fn. 18.

<sup>18</sup> Resolution E-4673, at 14.

<sup>19</sup> See PG&E Opposition, at 2.

<sup>20</sup> See Petition, at 13-14, *citing* Cal. Const. Art. XII; Public Utilities Code sections 451 and 453.

PG&E further argues that modifying station power rules for non-NEM generators would not be an appropriate way for the Commission to attempt to remedy the market issues that conventional generators currently face.<sup>21</sup> Yet, the imposition of a 15-minute netting period on non-NEM generators is itself a policy-driven manipulation of the energy market, because it artificially increases non-NEM generators' costs and correspondingly decreases their cost-competitiveness. The purpose of Calpine's Petition is not to gain an advantage over other types of generation resources; rather, Calpine wants to level the playing field for all generation resources to help ensure the continued operation of the state's most cost-effective resources and thereby reduce electricity costs statewide.

Respectfully submitted,

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/s/

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<sup>21</sup> See PG&E Opposition, at 3.